



County Of San Diego, California

Auditor and Controller

Audit of the San Diego County Employees' Charitable Organization, Incorporated

FINANCIAL STATEMENTS
Quarter Ended December 31, 2007

Office of **A**udits & **A**dvisory **S**ervices

February 2009
Report No. A10-001



COUNTY OF SAN DIEGO
INTER-DEPARTMENTAL CORRESPONDENCE

February 4, 2010

TO: The Board of Directors
San Diego County Employees' Charitable Organization, Incorporated


FROM: James L. Pelletier
Chief of Audits

**INDEPENDENT AUDITORS' REPORT ON THE SAN DIEGO COUNTY EMPLOYEES'
CHARITABLE ORGANIZATION, INCORPORATED FINANCIAL STATEMENTS**

Enclosed is the report on the San Diego County Employees' Charitable Organization's financial statements for the quarter ended December 31, 2007. The report states that the financial statements present fairly the organization's financial position, activities, and the changes in its net assets and cash flows in conformity with generally accepted accounting principles.

Thank you for the courteousness and cooperation extended to the Office of Audits & Advisory Services during the course of the audit.

If you have any questions, please contact me at (858) 495-5661.


JAMES L. PELLETIER
Chief of Audits

AUD:JK:aps

Enclosure

c: Donald F. Steuer, Chief Financial Officer
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller
John J. Sansone, County Counsel
Ebony N. Shelton, Group Finance Director, Finance and General Government Group



SAN DIEGO COUNTY EMPLOYEES' CHARITABLE ORGANIZATION

1600 PACIFIC HIGHWAY - Room 209, SAN DIEGO, CA. 92101 - Phone 619 338-2765

FINANCIAL STATEMENTS
Quarter Ended December 31, 2007

San Diego County Employees' Charitable Organization, Incorporated

Financial Statements

For the Quarter Ended December 31, 2007

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County of San Diego

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INDEPENDENT AUDITORS' REPORT

Board of Directors
San Diego County Employees' Charitable Organization, Incorporated
San Diego, California

We have audited the accompanying statement of financial position of the San Diego County Employees' Charitable Organization, Incorporated, (CECO) as of December 31, 2007, and the related statements of activities and changes in net assets and cash flows for the quarter then ended. These financial statements are the responsibility of the CECO management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CECO, as of December 31, 2007, and the changes in its net assets and cash flows for the quarter then ended in conformity with accounting principles generally accepted in the United States of America.

We performed the audit for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

JOSEPH KELLY, JR.
Certified Public Accountant

December 24, 2009
San Diego, California

The San Diego County Employees' Charitable Organization, Incorporated

Statement of Financial Position

December 31, 2007

<u>ASSETS</u>	<u>Total</u>
Cash and Cash Equivalents	\$118,547
Total Assets	<u>\$118,547</u>

<u>LIABILITIES</u>	
Allocations Due To Agencies	\$214
Designations Due To Agencies	26,725
Total Liabilities	<u>\$26,939</u>

<u>NET ASSETS</u>	
Unrestricted	\$91,394
Temporarily Restricted	214
Total Net Assets	<u>\$91,608</u>

<u>LIABILITIES AND NET ASSETS</u>	
Total Liabilities and Net Assets	<u>\$118,547</u>

The San Diego County Employees' Charitable Organization, Incorporated

Statement of Activities and Changes in Net Assets

Quarter Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUE</u>			
Support: Individual Contributions	\$78,061	\$214	\$78,275
Less Donor Designations	(6,756)	-	(6,756)
Total Support Revenue	<u>\$71,305</u>	<u>\$214</u>	<u>\$71,519</u>
Interest	833	-	833
Total Revenue	<u>\$72,138</u>	<u>\$214</u>	<u>\$72,352</u>
<u>EXPENSES</u>			
Board Allocations	\$8,454		\$8,454
Supplies and Other Operating Expense	167	-	167
Total Expenses	<u>\$8,621</u>	<u>-</u>	<u>\$8,621</u>
<u>NET ASSETS</u>			
Change in Net Assets	\$63,517	\$214	\$63,731
Beginning Net Assets (<u>Unrestricted</u>)	27,877	-	27,877
Ending Net Assets	<u>\$91,394</u>	<u>\$214</u>	<u>\$91,608</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

The San Diego County Employees' Charitable Organization, Incorporated

Statement of Cash Flows
Quarter Ended December 31, 2007

	<u>Total</u>
Cash Flows from Operating Activities:	
Change in Net Assets	\$63,731
<i>Adjustments to reconcile Change in Net Assets to Net Cash Used in Operating Activities:</i>	
Decrease in Allocations Payable	(280,733)
Increase in Designations Payable	6,756
Decrease in Accounts Payable	(170)
Net Cash Used In Operating Activities	<hr/> \$(210,416)
Cash and Cash Equivalents — Beginning of year	328,963
Cash and Cash Equivalents — End of year	<hr/> <hr/> \$118,547

Notes to Financial Statements

December 31, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the San Diego County Employees' Charitable Organization, Incorporated (CECO) is presented to assist in understanding the financial statements of CECO. The financial statements and notes are representations of the management of CECO, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America.

Reporting Entity Activities

CECO is a local, all volunteer, not-for-profit, tax-exempt charitable organization, dedicated to stimulate interest in the health, recreation and human care needs of the people of San Diego County; to encourage support of organized community campaigns for established health, recreation and human care service organizations; and to collect monies for distribution to causes approved by the Board of Directors.

Basis of Accounting and Presentation

The accompanying financial statements are presented in accordance with accrual based accounting. The financial position and activities amounts for the quarter ending December 31, 2007 are reported as restricted or unrestricted net assets. There are temporarily restricted net assets at the quarter ending 2007. The temporarily restricted assets are subject to donor, grantor or other third-party restriction as to usage by CECO for specific programs or purposes.

The purpose of this "short period" financial statements presentation is to facilitate CECO's transition from a September 30th fiscal year ending date to a December 31st calendar year ending date by reporting the results of the Board of Directors decision. This change in accounting period represents a change in accounting principles and has no material accumulative effect on the current period beginning balances.

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Liabilities

Paragraph 18 of the Financial Accounting Standards Board (FASB) Statement No. 116, Accounting for Contributions Received and Contributions Made, requires a liability to be recognized for unconditional promises made to give cash or other assets to recipients. An unconditional promise to give is recognized at the time CECO has an obligation to transfer the promised assets in the future, which generally occurs when the CECO Board of Directors approves a specific amount (collectively termed "Board Allocations") or when the recipient is informed. The financial statement amounts are all current liabilities.

The San Diego County Employees' Charitable Organization, Incorporated

Notes to Financial Statements

December 31, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses

According to the foregoing policy, the expense and liability amounts are recognized because the payments of an unconditional promise to give are to be made to a recipient over more than one annual period and the recipient is subject only to routine performance requirements. Because they are due in less than a year, the expense and liability amounts are measured at face value.

Revenue

Pledged donations that are unconditional promises are presented as revenue for the year the pledge is received. The related asset (cash) is presented at the present value of the estimated future cash flows as Assets Receivable for pledged amounts not entirely received by calendar year end. Generally, per CECO publicized comments, no pledges met this criterion for the quarter presented. Other donations are recorded as revenue when the assets are received or the donor's conditions are met.

NOTE B: TRUST (AGENCY) STATUS

CECO acts as an agent, trustee, or intermediary, when it collects assets and disburses them to other entities as donor designations due to agencies. In these instances, CECO has little or no discretion concerning the use of the assets. When acting in this capacity, CECO neither receives nor makes a contribution as the assets are received or disbursed to another entity.

Cash and other financial assets held by CECO under such agency transactions are reported as a liability concurrently with the asset received from the donor. The Statement of Cash Flows includes cash received or paid in such transactions as cash flows from operating activities.

Agency Transactions

Acting as an agent for donors, CECO received and disbursed the following amounts to charities:

<u>Period Ending</u>	<u>Beginning Balance</u>	<u>Amount Received</u>	<u>Amount Disbursed</u>	<u>Ending Balance</u>
Dec-07	\$ 19,969	\$ 6,756	\$ -	\$ 26,725
Sep-07	\$ 10,783	\$ 24,272	\$ 15,086	\$ 19,969
Sep-08	\$ 11,588	\$ 15,546	\$ 16,351	\$ 10,783

NOTE C: MEMBER CONTRIBUTIONS

Individual contributions include member contributions. Cash contributions to CECO received through local County of San Diego employees' payroll deductions are accounted for as member contributions. The donor receives a membership in CECO with no membership privileges or services. Donations from the active employees approximated 91 percent of total revenue. As a result, large reductions in the amount of funding provided by active employees would significantly affect financial operations.

The San Diego County Employees' Charitable Organization, Incorporated

Notes to Financial Statements

December 31, 2007

NOTE D: INCOME TAX STATUS

The Internal Revenue Service (IRS) granted CECO an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) based on its status as an incorporated charity. Also, CECO is not a private foundation in accordance with Section 509(a) of the Code. No unrelated business income was earned during the calendar quarter ended December 31, 2007.

NOTE E: CASH AND CASH EQUIVALENTS

Cash on hand and in the bank as demand deposit accounts, and bank certificates with maturity dates at date of purchase of three months or less are defined as 'Cash' and 'Cash Equivalents'. CECO's cash balances are in demand accounts of which \$50 is required to remain on deposit for credit union membership purposes.

NOTE F: CREDIT RISK

As of December 31, 2007, the CECO aggregated amount of deposits in its three accounts at the San Diego County Credit Union (SDCCU) amounted to \$118,547.18. Funds deposited with SDCCU are insured by the National Credit Union Administration (NCUA) and backed by the United States Government. The accounts are federally insured up to the Standard Maximum Share Insurance Amount (SMSIA) of \$100,000. As of December 31, 2007, the CECO exposure (aggregate deposits over \$100,000) to credit risk is \$18,547.18.

As of October 21, 2008, the CECO aggregated amount of deposits in its five accounts at the San Diego County Credit Union (SDCCU) amounted to \$300,363.33. The accounts are federally insured up to the SMSIA of \$250,000, effective as of October 3, 2008. The Emergency Economic Stabilization Act of 2008 temporarily increased the insurance coverage of all accounts in federally insured credit unions up to \$250,000 until December 31, 2009. As of October 21, 2008, the CECO exposure (aggregate deposits over \$250,000) to credit risk is \$50,363.33.

NOTE G: RELATED PARTY TRANSACTIONS

The majority of CECO members, its Executive Committee, and Board of Directors are County employees. Decisions regarding donations, therefore, may be made by individuals who have contact with eligible donee organizations as a consequence of their employment with the County.

NOTE H: ALLOCATIONS TO MAJOR PROGRAM

There were no amounts allocated to CECO's major program during the quarter ended because typically, for that program, each year, usually in the month of September, the CECO Board of Directors allocates substantial amounts to charities that provide services that support the County of San Diego communities. However, in the quarter, CECO created the Firestorm 2007 Victims Relief Fund and awarded a total of \$8,240 to three County employees. CECO allocated the residual amount of the relief fund donations received to the Employees Crisis Fund. The expenses related to the Board's actions are recognized in the year the Board authorizes the amounts.

SUPPLEMENTARY INFORMATION

The San Diego County Employees' Charitable Organization, Incorporated

Schedule of Functional Expenses
Quarter Ended December 31, 2007

<u>Program Description</u>	<u>Allocations</u>	<u>Other Expenses</u>	<u>Total Expenses</u>
Firestorm 2007 Victims Relief Fund	\$ 8,240		\$ 8,240
Employee Crisis Assistance Fund	214		214
Total Programs	<u>\$ 8,454</u>		<u>\$ 8,454</u>
Administration		\$ 167	167
Total Expenses	<u>\$ 8,454</u>	<u>\$ 167</u>	<u>\$ 8,621</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS SCHEDULE